

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL NOTE**

**SB 2160 - HB 2263**

March 6, 2022

**SUMMARY OF BILL:** Expands the business tax exemption to include sales by persons engaged in the manufacture of goods, wares, merchandise, or other articles of value from a storage or warehouse facility subject to ad valorem taxation situated within a ten-mile radius of the location or outlet from which the goods, wares, merchandise, or other articles of value were manufactured.

**ESTIMATED FISCAL IMPACT:**

**Decrease State Revenue – \$979,900/FY22-23 and Subsequent Years**

**Decrease Local Revenue – \$1,019,900/FY22-23 and Subsequent Years**

**Assumptions:**

- Pursuant to Tenn. Code Ann. § 67-4-712(b)(2), the business tax exemption currently applies to persons engaged in the manufacture of goods, wares, merchandise, or other articles of value from a location or outlet subject to ad valorem taxation.
- Due to unknown factors, including the inability to determine the ten-mile radius from the location of a business taxpayer, the number of businesses that ship goods and merchandise to storage or warehouse facilities that are in a ten-mile radius of where the production of the item occurred cannot be determined.
- According to the Department of Revenue (DOR), the estimated number of businesses that ship goods and merchandise to non-retail sales storage or warehouse facilities that are in the same county of where the production of the item occurred is 900.
- According to DOR, the estimated collections of the business tax among the included business taxpayers was \$3,000,000 in FY20-21. For the purposes of this fiscal analysis, this number is assumed to remain constant into perpetuity.
- The average included business taxpayer paid \$3,333 (\$3,000,000 / 900) in FY20-21.
- The number of business taxpayers who would qualify for the business tax exemption under the proposed legislation is likely less than 900, as this number includes all businesses where products were created and shipped to a location in the same county.
- For the purposes of this analysis, it is assumed the 600 business taxpayers qualify under the proposed legislation.
- The estimated total recurring decrease in revenue is \$1,999,800 (\$3,333 x 600) in FY22-23 and subsequent years.

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- Based on FY20-21 collections data, approximately 49 percent of business tax collections were allocated to the General Fund and approximately 51 percent were allocated to local governments.
- The estimated recurring decrease in state revenue is \$979,902 ( $\$1,999,800 \times 49\%$ ) in FY22-23 and subsequent years.
- The estimated recurring decrease in local revenue is \$1,019,898 ( $\$1,999,800 \times 51\%$ ) in FY22-23 and subsequent years.

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Krista Lee Carsner". The signature is written in a cursive, flowing style.

Krista Lee Carsner, Executive Director

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